



Department of Energy
Western Area Power Administration
Desert Southwest Customer Service Region
P.O. Box 6457
Phoenix, AZ 85005-6457

July 16, 2004

Dear Parker-Davis Project Electric Service Customers:

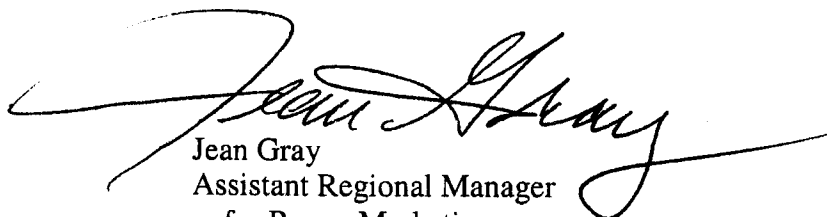
Thank you for your comments regarding the "Review and Adjustment of Federal Power Allocations" language (Section 12) of the Parker-Davis Project Firm Electric Service Contract Extension Amendments. The Western Area Power Administration (Western) has considered your comments and incorporated them, where possible, in the enclosed revision of the Section 12 language. This revision will also be posted to the Desert Southwest Region (DSW) web site located at www.wapa.gov/dsw/pwrnkt.

If you have any additional comments, please submit them to Western no later than 30 days from the date of this letter.

We will also post a document to the DSW web site responding to customer comments and questions received thus far. If you do not have Internet access and would like for us to fax or mail a copy to you, please call me at (602) 352-2555.

Again, thank you for your continuing involvement and contributions in this Parker-Davis Project Contract Extension Amendment process.

Sincerely,


Jean Gray
Assistant Regional Manager
for Power Marketing

Enclosure

REVIEW AND ADJUSTMENT OF FEDERAL POWER ALLOCATION
DSW March 31, 2004 version
conformed to GPCP group version for customer review.
Rev. 6/30/2004

12. **Review and Adjustment of Federal Power Allocation:**

12.1 If the Administrator of Western determines that actions taken by the Contractor have abrogated the Contractor's status as an entity with preference under Reclamation Law to purchase Federal hydropower, then the Administrator may take appropriate action, which may include termination of this Contract.

12.2 Western's Administrator also reserves the right to adjust Western's firm electric service obligations under this Contract as he or she deems appropriate, if the Contractor's status, as of the date of execution of this Amendment, changes in a manner that results in a change in the beneficiaries of the preference allocation, including but not limited to: (1) merging with, acquiring, or being acquired by another entity; (2) creating a new entity from an existing one; (3) joining or withdrawing from a member-based power supply entity; (4) if the Contractor is a member-based power supply entity, losing one or more members; or (5) selling, leasing, or otherwise disposing of its, or a member's, electric distribution system.

12.3 The Contractor shall give Western written notice prior to implementing any changes that may be covered by Section 12.2. Such notice shall be provided at least 120 days in advance or as soon as the Contractor becomes aware of the proposed change. Western will respond in writing within 90 days of receipt of such notice, indicating whether the Administrator intends to take action.

12.4 In any case in which the Administrator determines to take action because the Contractor's status will change or has changed in a manner addressed in subsections 12.1 and/or 12.2, Western will notify the Contractor in writing of the Administrator's intended action(s) and the reasons for taking the intended action(s) at least 30 days prior to implementation of such action. If the Contractor disagrees with the Administrator's determination, the Contractor may request reconsideration from the Administrator. Requests for reconsideration to the Administrator shall be made in writing, and must be received by the Administrator within 30 days of the Contractor's receipt of the notice from the Administrator. The Administrator will provide the Contractor with written notice of Western's final decision within 30 days of receipt of the request for reconsideration.